

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Sims Township	County Arenac
Audit Date Sims Township	Opinion Date 3/31/06	Date Accountant Report Submitted to State: 7/21/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

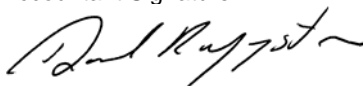
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Yeo & Yeo, P.C. CPAs			
Street Address 3023 Davenport	City Saginaw	State MI	ZIP 48602
Accountant Signature 			

**Sims Township**

**Arenac County, Michigan**

**Annual Financial Statements  
and  
Auditors' Report  
March 31, 2006**

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**Sims Township**  
**List of Elected and Appointed Officials**  
**March 31, 2006**

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Township Board

Timothy Roche – Supervisor

Marcella Prueter – Treasurer

Wanda Boley – Clerk

Nancy Hill – Trustee

John Hoppe – Trustee

## **Independent Auditors' Report**

To the Township Board  
Sims Township  
Au Gres, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Sims Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Sims Township as of March 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2006 on our consideration of the Sims Township internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sims Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Township has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

The Township has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

*Yeo & Yeo, P.C.*

June 27, 2006  
Saginaw, Michigan

**Sims Township**  
**Statement of Net Assets**  
**March 31, 2006**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 821,694	\$ 527,184	\$ 1,348,878
Receivables			
Taxes	24,348	-	24,348
Customers	-	34,844	34,844
Special assessments	-	1,483,513	1,483,513
Due from other units of government	12,406	-	12,406
Restricted assets			
Cash and cash equivalents	-	413,756	413,756
Investments	-	3,731,072	3,731,072
Capital assets, net	<u>70,485</u>	<u>-</u>	<u>70,485</u>
Total assets	<u>928,933</u>	<u>6,190,369</u>	<u>7,119,302</u>
<b>Liabilities</b>			
Accrued and other liabilities	-	19,300	19,300
Noncurrent liabilities			
Due within one year	-	148,236	148,236
Due in more than one year	<u>-</u>	<u>2,123,952</u>	<u>2,123,952</u>
Total liabilities	<u>-</u>	<u>2,291,488</u>	<u>2,291,488</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	70,485	1,458,884	1,529,369
Restricted for:			
Building construction	7,633	-	7,633
Transfer station	64,113	-	64,113
Unrestricted	<u>786,702</u>	<u>2,439,997</u>	<u>3,226,699</u>
Total net assets	<u>\$ 928,933</u>	<u>\$ 3,898,881</u>	<u>\$ 4,827,814</u>

See Accompanying Notes to Financial Statements



**Sims Township**  
**Statement of Activities**  
**For the Year Ended March 31, 2006**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Functions/Programs							
<b>Primary government</b>							
Governmental activities							
General government	\$ 114,688	\$ 41,887	\$ -	\$ -	\$ (72,801)	\$ -	\$ (72,801)
Public safety	152,893	1,328	-	-	(151,565)	-	(151,565)
Public works	163,596	36,217	2,156	-	(125,223)	-	(125,223)
Community and economic development	<u>9,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,667)</u>	<u>-</u>	<u>(9,667)</u>
Total governmental activities	<u>440,844</u>	<u>79,432</u>	<u>2,156</u>	<u>-</u>	<u>(359,256)</u>	<u>-</u>	<u>(359,256)</u>
Business-type activities							
Water	<u>277,009</u>	<u>259,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,144)</u>	<u>(17,144)</u>
Total primary government	<u>\$ 717,853</u>	<u>\$ 339,297</u>	<u>\$ 2,156</u>	<u>\$ -</u>	<u>(359,256)</u>	<u>(17,144)</u>	<u>(376,400)</u>
General revenues							
Property taxes					335,434	-	335,434
State shared revenue					74,889	-	74,889
Unrestricted investment earnings					<u>14,127</u>	<u>118,311</u>	<u>132,438</u>
Total general revenues					<u>424,450</u>	<u>118,311</u>	<u>542,761</u>
Change in net assets					65,194	101,167	166,361
Net assets - beginning of year					<u>863,739</u>	<u>3,797,714</u>	<u>4,661,453</u>
Net assets - end of year					<u>\$ 928,933</u>	<u>\$ 3,898,881</u>	<u>\$ 4,827,814</u>

See Accompanying Notes to Financial Statements

**Sims Township**  
**Governmental Funds**  
**Balance Sheet**  
**March 31, 2006**

	Special Revenue Funds							Total
	General	Cemetery	Police	Transfer Station	Mosquito	Gypsy Moth	Fire	Governmental Funds
<b>Assets</b>								
Cash and cash equivalents	\$ 471,441	\$ 40,414	\$ 121,244	\$ 26,121	\$ 92,034	\$ 70,440	\$ -	\$ 821,694
Receivables								
Taxes	8,932	-	5,517	-	5,015	-	4,884	24,348
Due from other units of government	12,406	-	-	-	-	-	-	12,406
Due from other funds	-	-	-	20,147	-	-	-	20,147
Total assets	<u>\$ 492,779</u>	<u>\$ 40,414</u>	<u>\$ 126,761</u>	<u>\$ 46,268</u>	<u>\$ 97,049</u>	<u>\$ 70,440</u>	<u>\$ 4,884</u>	<u>\$ 878,595</u>
<b>Liabilities</b>								
Due to other funds	\$ -	\$ 20,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,147
Deferred revenue	8,932	-	5,517	-	5,015	-	4,884	24,348
Total liabilities	<u>8,932</u>	<u>20,147</u>	<u>5,517</u>	<u>-</u>	<u>5,015</u>	<u>-</u>	<u>4,884</u>	<u>44,495</u>
<b>Fund Balances</b>								
Reserved for:								
Building construction	7,633	-	-	-	-	-	-	7,633
Transfer station	64,113	-	-	-	-	-	-	64,113
Unreserved, reported in:								
General fund	412,101	-	-	-	-	-	-	412,101
Special revenue funds	-	20,267	121,244	46,268	92,034	70,440	-	350,253
Total fund balances	<u>483,847</u>	<u>20,267</u>	<u>121,244</u>	<u>46,268</u>	<u>92,034</u>	<u>70,440</u>	<u>-</u>	<u>834,100</u>
Total liabilities and fund balances	<u>\$ 492,779</u>	<u>\$ 40,414</u>	<u>\$ 126,761</u>	<u>\$ 46,268</u>	<u>\$ 97,049</u>	<u>\$ 70,440</u>	<u>\$ 4,884</u>	<u>\$ 878,595</u>

See Accompanying Notes to Financial Statements

**Sims Township**  
**Governmental Funds**  
**Reconciliation of Fund Balances of Governmental Funds**  
**to Net Assets of Governmental Activities**  
**March 31, 2006**

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<b>Total fund balances for governmental funds</b>	\$ 834,100
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	70,485
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	<u>24,348</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 928,933</u></u>

**Sims Township**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended March 31, 2006**

	Special Revenue Funds							Total Governmental Funds
	General	Cemetery	Police	Transfer Station	Mosquito	Gypsy Moth	Fire	
<b>Revenues</b>								
Taxes	\$ 84,779	\$ -	\$ 74,655	\$ -	\$ 67,122	\$ -	\$ 65,067	\$ 291,623
Licenses and permits	-	8,190	1,175	-	-	-	-	9,365
State revenue sharing	74,889	-	-	-	-	-	-	74,889
Other state grants	2,156	-	-	-	-	-	-	2,156
Local contributions	-	-	-	36,000	-	-	-	36,000
Charges for services	-	8,700	-	-	-	-	-	8,700
Fines and forfeitures	243	-	-	-	-	-	-	243
Interest income	9,427	1,283	916	60	154	2,287	-	14,127
Rental income	900	-	-	-	-	-	-	900
Other revenue	68,493	17	-	217	-	-	-	68,727
Total revenues	<u>240,887</u>	<u>18,190</u>	<u>76,746</u>	<u>36,277</u>	<u>67,276</u>	<u>2,287</u>	<u>65,067</u>	<u>506,730</u>
<b>Expenditures</b>								
Current								
General government	111,910	-	-	-	-	-	-	111,910
Public safety	10,226	-	77,600	-	-	-	65,067	152,893
Public works	33,016	19,656	-	63,422	47,252	250	-	163,596
Community and economic development	9,667	-	-	-	-	-	-	9,667
Total expenditures	<u>164,819</u>	<u>19,656</u>	<u>77,600</u>	<u>63,422</u>	<u>47,252</u>	<u>250</u>	<u>65,067</u>	<u>438,066</u>
Excess (deficiency) of revenues over expenditures	<u>76,068</u>	<u>(1,466)</u>	<u>(854)</u>	<u>(27,145)</u>	<u>20,024</u>	<u>2,037</u>	<u>-</u>	<u>68,664</u>
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	36,000	-	-	-	36,000
Transfers out	(36,000)	-	-	-	-	-	-	(36,000)
Total other financing sources and uses	<u>(36,000)</u>	<u>-</u>	<u>-</u>	<u>36,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	40,068	(1,466)	(854)	8,855	20,024	2,037	-	68,664
Fund balance - beginning of year	<u>443,779</u>	<u>21,733</u>	<u>122,098</u>	<u>37,413</u>	<u>72,010</u>	<u>68,403</u>	<u>-</u>	<u>765,436</u>
Fund balance - end of year	<u>\$ 483,847</u>	<u>\$ 20,267</u>	<u>\$ 121,244</u>	<u>\$ 46,268</u>	<u>\$ 92,034</u>	<u>\$ 70,440</u>	<u>\$ -</u>	<u>\$ 834,100</u>

See Accompanying Notes to Financial Statements

**Sims Township**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended March 31, 2006**

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<b>Net change in fund balances - Total governmental funds</b>	\$ 68,664
 Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(2,778)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	<u>(692)</u>
 <b>Change in net assets of governmental activities</b>	 <u><u>\$ 65,194</u></u>

See Accompanying Notes to Financial Statements

**Sims Township**  
**Proprietary Funds**  
**Statement of Net Assets**  
**March 31, 2006**

	<u>Enterprise Funds</u>
	<u>Water</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 527,184
Receivables	
Customers	34,844
Special assessments, current	<u>111,402</u>
Total current assets	<u>673,430</u>
Noncurrent assets	
Restricted assets	
Cash and cash equivalents	413,756
Special assessments receivable, deferred	1,372,111
Investment in Sims-Whitney Utility Authority	<u>3,731,072</u>
Total noncurrent assets	<u>5,516,939</u>
Total assets	<u>6,190,369</u>
<b>Liabilities</b>	
Current liabilities	
Accrued and other liabilities	19,300
Current portion of noncurrent liabilities	<u>148,236</u>
Total current liabilities	<u>167,536</u>
Noncurrent liabilities	
Long-term debt net of current portion	<u>2,123,952</u>
Total liabilities	<u>2,291,488</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	1,458,884
Unrestricted	<u>2,439,997</u>
Total net assets	<u>\$ 3,898,881</u>

See Accompanying Notes to Financial Statements

**Sims Township**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**For the Year Ended March 31, 2006**

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	<u>Enterprise Funds</u>
	<u>Water</u>
<b>Operating revenue</b>	
Customer fees	<u>\$ 259,865</u>
<b>Operating expenses</b>	
Personnel services	10,968
Supplies	5,060
Contractual services	121,848
Other expenses	<u>14,320</u>
Total operating expenses	<u>152,196</u>
Operating income	<u>107,669</u>
<b>Nonoperating revenue (expenses)</b>	
Interest income	118,311
Interest expense	<u>(124,813)</u>
Total nonoperating revenues (expenses)	<u>(6,502)</u>
Change in net assets	101,167
Net assets - beginning of year	<u>3,797,714</u>
Net assets - end of year	<u>\$ 3,898,881</u>

See Accompanying Notes to Financial Statements

**Sims Township**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2006**

	<u>Enterprise Funds</u>
	<u>Water</u>
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 259,453
Receipts from other funds	6,356
Payments to suppliers	(155,755)
Payments to employees	<u>(10,968)</u>
Net cash provided by operating activities	<u>99,086</u>
<b>Cash flows from capital and related financing activities</b>	
Proceeds from special assessments	134,078
Principal and interest paid on long-term debt	<u>(272,569)</u>
Net cash used by capital and related financing activities	<u>(138,491)</u>
<b>Cash flows from investing activities</b>	
Proceeds from sales and maturities of investments	65,146
Interest received	<u>118,311</u>
Net cash provided by investing activities	<u>183,457</u>
Net increase in cash and cash equivalents	144,052
Cash and cash equivalents - beginning of year	<u>796,888</u>
Cash and cash equivalents - end of year	<u><u>\$ 940,940</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 107,669
Adjustments to reconcile operating income to net cash from operating activities	
Changes in assets and liabilities	
Receivables (net)	(412)
Due from other funds	6,356
Accounts payable	(5,932)
Accrued and other liabilities	<u>(8,595)</u>
Net cash provided by operating activities	<u><u>\$ 99,086</u></u>

See Accompanying Notes to Financial Statements



**Sims Township**  
**Fiduciary Funds**  
**Statement of Assets and Liabilities**  
**March 31, 2006**

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	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 42,263
<b>Liabilities</b>	
Due to other units of government	\$ 42,263

See Accompanying Notes to Financial Statements

**Sims Township**  
**Notes to Financial Statements**  
**March 31, 2006**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting entity**

Sims Township is governed by an elected five-member Board. The accompanying financial statements present the entities for which the government is considered to be financially accountable. The financial statements of the reporting entity include those of the Township and do not include any other component within the financial statements including the financial statements of AuGres – Sims Police Board and the AuGres – Sims Fire Department which operate autonomously under an intergovernmental service agreement and are considered jointly governed organizations.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or

segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**Sims Township**  
**Notes to Financial Statements**  
**March 31, 2006**

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Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police Fund accounts for the revenue and expenditures for the government's police protection.

The Transfer Station Fund accounts for the revenue and expenditures for the government's refuse collection.

The Mosquito Fund accounts for the revenue and expenditures for the government's spraying and prevention of mosquitoes.

The Fire Fund accounts for the revenue and expenditures for the government's fire protection.

The Gypsy Moth Fund accounts for the revenue and expenditures for the government's spraying and prevention of gypsy moths.

The Cemetery Fund accounts for the revenue and expenditures for the government's cemetery.

The government reports the following major proprietary funds:

The Water Fund accounts for the activities of the water distribution system that are organized to be self-supporting through user-charges.

Additionally, the government reports the following:

The Agency Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

# **Sims Township**

## **Notes to Financial Statements**

### **March 31, 2006**

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Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water funds and the internal service funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **Assets, liabilities, and net assets or equity**

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The 2005 taxable valuation of the government totaled \$67,827,661, on which ad valorem taxes consisted of 3.8016 mills for operating purposes. This resulted in \$257,777 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Restricted assets – Certain revenue bonds of the Enterprise Funds require amounts to be set aside for a bond reserve. These amounts have been classified as restricted investments.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Machinery and equipment	3 to 7 years

**Sims Township**  
**Notes to Financial Statements**  
**March 31, 2006**

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Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

#### **Comparative data**

Comparative data is not included in the government's financial statements.

#### **NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

##### **Budgetary information**

The Township is subject to the budgetary control requirements of the

Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to March 31, the Township Supervisor submits to the Board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to March 31.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

#### **Excess of expenditures over appropriations**

The Township incurred expenditures in excess of budget in the Fire Fund. Excess expenditures in this fund occurred in the following area:

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Fire			
Public safty	\$ -	\$ 65,067	\$ 65,067

#### **NOTE 3 - DEPOSITS AND INVESTMENTS**

At year end the government's deposits and investments were reported in the basic financial statements in the following categories:

**Sims Township**  
**Notes to Financial Statements**  
**March 31, 2006**

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents
Governmental activities	\$ 821,694	\$ -
Business-type activities	<u>527,184</u>	<u>413,756</u>
Total primary government	1,348,878	413,756
Fiduciary funds	<u>42,263</u>	<u>-</u>
Total	<u>\$ 1,391,141</u>	<u>\$ 413,756</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	<u>\$ 1,762,634</u>	<u>\$ 42,263</u>

*Interest rate risk* – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates. The government typically invests in CDs and money market funds.

*Credit risk* – State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the

State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

*Concentration of credit risk* – The government has no policy that would limit the amount that may be issued in any one issuer.

*Custodial credit risk - deposits* – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, approximately \$1,390,000 was exposed to custodial credit risk because it was uninsured and uncollateralized.

#### **NOTE 4 - DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
<b>Primary government</b>	
Property taxes	<u>\$ 24,348</u>

#### **NOTE 5 - CAPITAL ASSETS**

Capital assets activity of the primary government for the current year was as follows:

# Sims Township

## Notes to Financial Statements

### March 31, 2006

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 12,501	\$ -	\$ -	\$ 12,501
Capital assets being depreciated				
Buildings, additions and improvements	104,325	-	-	104,325
Less accumulated depreciation for				
Buildings, additions and improvements	43,563	2,778	-	46,341
Net capital assets being depreciated	60,762	(2,778)	-	57,984
Governmental activities capital assets, net	\$ 73,263	\$ (2,778)	\$ -	\$ 70,485
<b>Business-type activities</b>				
Capital assets being depreciated				
Machinery and equipment	\$ 4,266	\$ -	\$ -	\$ 4,266
Less accumulated depreciation for				
Machinery and equipment	4,266	-	-	4,266
Net capital assets being depreciated	-	-	-	-
Business-type capital assets, net	\$ -	\$ -	\$ -	\$ -

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental activities</b>	
General government	\$ 2,778

### NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Transfer Station	Cemetery	\$ 20,147

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are

provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
General	Transfer Station	\$ 36,000

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

### NOTE - 7 SIMS-WHITNEY UTILITIES AUTHORITY

The Sims - Whitney Utilities Authority was formed for the purpose of providing water services to residents of Sims and Whitney Townships. Upon organization, the Authority obtained grants and loans to construct water lines in the Townships. The original loan from Farmers Home Administration amounted to \$1,160,000. To make payments on the loan, the Authority entered into contracts with the Townships for repayment on a yearly basis, which parallels the annual principal and interest due on the bonds. The Township of Sims' portion of the contract amounted to \$557,280 or 48%. The Township has pledged its full faith and credit for the payment and is obligated to make such payments from their general funds, including ad-valorem taxes, if necessary. Currently, the payments are being made through special assessments levied on the property owners involved.

The initial contract amount plus any improvements to the system by Sims Township are recorded as Investment in Sims - Whitney Utilities Authority in the Water Fund of the Township because title to the lines becomes property of the Authority.

**Sims Township**  
**Notes to Financial Statements**  
**March 31, 2006**

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In 1999, the Authority issued limited tax general obligation bonds in the amount of \$815,000. To make payments on the bonds, the Authority entered into contracts with the Township for repayment on a yearly basis, which parallels the annual principal and interest due on the bonds. The Township of Sims' portion of the contract amounted to \$414,998. The Township has pledged its full faith and credit for the payment and is obligated to make such payments. Currently, payments are being made through charges for service on the property owners involved.

Also in 1999, the Authority issued limited tax general obligation bonds in the amount of \$2,265,000. To make payments on the bonds, the Authority entered into a contract with the Township of Sims for repayment on a yearly basis, which parallels the annual principal and interest due on the bonds. The Township has pledged its full faith and credit for the payment and is obligated to make such payments. Currently, the payments are being made through special assessments levied on the property owners involved.

Sims Township also pays a prorated share of the operating expenses of the Authority based on usage and other factors. The financial statements of the Authority are available by writing to the following address: P.O. Box 127, Tawas City, Michigan 48764.



**Sims Township**  
**Notes to Financial Statements**  
**March 31, 2006**

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**NOTE 8 - LONG-TERM DEBT**

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities</b>								
Contracts Payable								
1987 water line	\$ 557,280	07/01/2021	5%	\$12,480 - \$27,360	\$ 321,600	\$ 12,480	\$ 309,120	\$ 12,960
1999A water system	414,998	10/01/2018	5%	\$15,276 - \$30,554	323,344	15,276	308,068	15,276
1999B water system	2,265,000	08/01/2019	4.9-5.9%	\$115,000 - \$120,000	<u>1,775,000</u>	<u>120,000</u>	<u>1,655,000</u>	<u>120,000</u>
Total business-type activities					<u>\$ 2,419,944</u>	<u>\$ 147,756</u>	<u>\$ 2,272,188</u>	<u>\$ 148,236</u>

# Sims Township

## Notes to Financial Statements

### March 31, 2006

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending March 31,	Business-type Activities	
	Principal	Interest
2007	\$ 148,236	\$ 118,341
2008	154,288	110,868
2009	154,768	103,114
2010	155,248	95,196
2011	156,208	87,102
2012-2016	806,822	306,373
2017-2021	669,258	83,243
2022	27,360	684
	<u>\$ 2,272,188</u>	<u>\$ 904,921</u>

#### NOTE 9 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

#### NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

##### Defined benefit pension plan

The Township has a defined contribution money purchase pension plan covering all elected and appointed officials and full time employees who are at least 18 years of age and who elect coverage. New employees are enrolled as Plan participants on the first day of employment. The Plan is administered by the Township Clerk and Supervisor.

Required annual contributions to the Plan are based on 18% of each employee's annual compensation. The Township contributes 50% of the total required annual contribution and each employee contributes the other 50%. Total annual contributions are subject to the Internal Revenue Code limitations. The Township's contributions are fully vested for each employee upon entering the Plan.

The Township's payroll covered under the Plan and total payroll for the year ended March 31, 2006 was approximately \$65,000. The Township's required annual contribution to the Plan was \$12,646, which was 9% of the current year covered payroll. Employees' required annual contributions were \$12,646, which was 9% of the current year covered payroll.

#### NOTE 11 - RELATED PARTIES

Sims Township has an intergovernmental service agreement with AuGres - Sims Police Board and AuGres - Sims Fire Authority. The participating communities provide annual funding for its operations. During the current year, the Township's portion was fulfilled through property taxes of \$74,588 for operations. The Township is unaware of any circumstance that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained from the administrative offices at: 201 N. Court, Au Gres, Michigan 48703.

#### NOTE 12 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**Sims Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended March 31, 2006**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 86,600	\$ 86,600	\$ 54,313	\$ (32,287)
Penalties and interest	7,500	7,500	8,873	1,373
Administration fee	21,000	21,000	21,593	593
Licenses and permits	7,500	7,500	-	(7,500)
State revenue sharing	54,000	54,000	74,889	20,889
State grants	1,500	1,500	2,156	656
Fines and forfeitures	-	-	243	243
Interest income	2,000	2,000	9,427	7,427
Rental income	-	-	900	900
Other revenue	3,050	3,050	68,493	65,443
	<u>183,150</u>	<u>183,150</u>	<u>240,887</u>	<u>57,737</u>
Total revenues				
<b>Expenditures</b>				
General government				
Township board	39,350	39,350	24,296	(15,054)
Supervisor	10,000	10,000	9,009	(991)
Clerk	12,820	12,820	11,994	(826)
Treasurer	19,870	19,870	19,070	(800)
Assessor	33,500	33,500	30,372	(3,128)
Elections	7,100	7,100	421	(6,679)
Buildings and grounds	56,620	56,620	16,748	(39,872)
	<u>179,260</u>	<u>179,260</u>	<u>111,910</u>	<u>(67,350)</u>
Total general government				

**Sims Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended March 31, 2006**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public safety				
Police	\$ 500	\$ 500	\$ 270	\$ (230)
Fire department	4,000	4,000	420	(3,580)
Building inspection department	12,300	12,300	9,536	(2,764)
Total public safety	16,800	16,800	10,226	(6,574)
Public works				
Drains	1,500	1,500	1,109	(391)
Highways, streets and bridges	164,000	164,000	31,907	(132,093)
Total public works	165,500	165,500	33,016	(132,484)
Community and economic development				
Planning	26,420	26,420	8,968	(17,452)
Zoning	2,400	2,400	699	(1,701)
Total community and economic development	28,820	28,820	9,667	(19,153)
Recreation and culture				
Parks and recreation	10,000	10,000	-	(10,000)
Library	3,000	3,000	-	(3,000)
Total recreation and culture	13,000	13,000	-	(13,000)
Transfers out	36,000	36,000	36,000	-
Total expenditures	439,380	439,380	200,819	(238,561)
Excess (deficiency) of revenues over expenditures	(256,230)	(256,230)	40,068	296,298
Fund balance - beginning of year	443,779	443,779	443,779	-
Fund balance - end of year	\$ 187,549	\$ 187,549	\$ 483,847	\$ 296,298

**Sims Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Cemetery**  
**For the Year Ended March 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Licenses and permits	\$ 8,050	\$ 8,000	\$ 8,190	\$ 190
Charges for services	7,100	7,100	8,700	1,600
Interest income	25	25	1,283	1,258
Other revenue	50	50	17	(33)
	<u>15,225</u>	<u>15,175</u>	<u>18,190</u>	<u>3,015</u>
<b>Total revenues</b>				
<b>Expenditures</b>				
Current				
Public works	<u>20,965</u>	<u>21,000</u>	<u>19,656</u>	<u>(1,344)</u>
	<u>20,965</u>	<u>21,000</u>	<u>19,656</u>	<u>(1,344)</u>
<b>Total expenditures</b>				
Excess (deficiency) of revenues over expenditures	(5,740)	(5,825)	(1,466)	4,359
Fund balance - beginning of year	<u>21,733</u>	<u>21,733</u>	<u>21,733</u>	<u>-</u>
Fund balance - end of year	<u>\$ 15,993</u>	<u>\$ 15,908</u>	<u>\$ 20,267</u>	<u>\$ 4,359</u>

**Sims Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Police**  
**For the Year Ended March 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 85,759	\$ 85,759	\$ 74,655	\$ (11,104)
Licenses and permits	1,000	1,000	1,175	175
Interest income	800	800	916	116
Total revenues	<u>87,559</u>	<u>87,559</u>	<u>76,746</u>	<u>(10,813)</u>
<b>Expenditures</b>				
Current				
Public safety	<u>79,300</u>	<u>79,300</u>	<u>77,600</u>	<u>(1,700)</u>
Total expenditures	<u>79,300</u>	<u>79,300</u>	<u>77,600</u>	<u>(1,700)</u>
Excess (deficiency) of revenues over expenditures	8,259	8,259	(854)	(9,113)
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>122,098</u>	<u>122,098</u>
Fund balance - end of year	<u>\$ 8,259</u>	<u>\$ 8,259</u>	<u>\$ 121,244</u>	<u>\$ 112,985</u>

**Sims Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Transfer Station**  
**For the Year Ended March 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Local contributions	\$ 36,000	\$ 36,000	\$ 36,000	\$ -
Interest income	25	25	60	35
Other revenue	1,450	1,450	217	(1,233)
Transfers in	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>	<u>-</u>
Total revenues	<u>73,475</u>	<u>73,475</u>	<u>72,277</u>	<u>(1,198)</u>
<b>Expenditures</b>				
Current				
Public works	<u>73,040</u>	<u>73,040</u>	<u>63,422</u>	<u>(9,618)</u>
				-
Total expenditures	<u>73,040</u>	<u>73,040</u>	<u>63,422</u>	<u>(9,618)</u>
Excess of revenues over expenditures	435	435	8,855	8,420
Fund balance - beginning of year	<u>37,413</u>	<u>37,413</u>	<u>37,413</u>	<u>-</u>
Fund balance - end of year	<u>\$ 37,848</u>	<u>\$ 37,848</u>	<u>\$ 46,268</u>	<u>\$ 8,420</u>

**Sims Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Mosquito**  
**For the Year Ended March 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 77,760	\$ 77,760	\$ 67,122	\$ (10,638)
Interest income	<u>100</u>	<u>100</u>	<u>154</u>	<u>54</u>
Total revenues	<u>77,860</u>	<u>77,860</u>	<u>67,276</u>	<u>(10,584)</u>
<b>Expenditures</b>				
Current				
Public works	<u>69,240</u>	<u>69,240</u>	<u>47,252</u>	<u>(21,988)</u>
Total expenditures	<u>69,240</u>	<u>69,240</u>	<u>47,252</u>	<u>(21,988)</u>
Excess of revenues over expenditures	8,620	8,620	20,024	11,404
Fund balance - beginning of year	<u>72,010</u>	<u>72,010</u>	<u>72,010</u>	<u>-</u>
Fund balance - end of year	<u>\$ 80,630</u>	<u>\$ 80,630</u>	<u>\$ 92,034</u>	<u>\$ 11,404</u>



**Sims Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Gypsy Moth**  
**For the Year Ended March 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest income	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 2,287</u>	<u>\$ 287</u>
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>2,287</u>	<u>287</u>
<b>Expenditures</b>				
Current				
Public works	<u>300</u>	<u>300</u>	<u>250</u>	<u>(50)</u>
Total expenditures	<u>300</u>	<u>300</u>	<u>250</u>	<u>(50)</u>
Excess of revenues over expenditures	1,700	1,700	2,037	337
Fund balance - beginning of year	<u>68,403</u>	<u>68,403</u>	<u>68,403</u>	<u>-</u>
Fund balance - end of year	<u>\$ 70,103</u>	<u>\$ 70,103</u>	<u>\$ 70,440</u>	<u>\$ 337</u>

**Sims Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Fire**  
**For the Year Ended March 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 65,067	\$ 65,067
<b>Expenditures</b>				
Current				
Public safety	-	-	65,067	65,067
Excess of revenues over expenditures	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Sims Township**  
**Other Supplemental Information**  
**Schedule of Indebtedness**  
**March 31, 2006**

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Total
Water Fund	5.00%	2007	\$ 12,960	\$ 15,132	\$ 28,092
1987 Water line	5.00%	2008	13,920	14,460	28,380
Amount of issue - \$557,280	5.00%	2009	14,400	13,752	28,152
	5.00%	2010	14,880	13,020	27,900
	5.00%	2011	15,840	12,252	28,092
	5.00%	2012	16,800	11,436	28,236
	5.00%	2013	17,760	10,572	28,332
	5.00%	2014	18,240	9,672	27,912
	5.00%	2015	19,200	8,736	27,936
	5.00%	2016	20,160	7,752	27,912
	5.00%	2017	21,120	6,720	27,840
	5.00%	2018	22,560	5,628	28,188
	5.00%	2019	23,520	4,476	27,996
	5.00%	2020	24,480	3,276	27,756
	5.00%	2021	25,920	2,016	27,936
	5.00%	2022	27,360	684	28,044
			<u>\$ 309,120</u>	<u>\$ 139,584</u>	<u>\$ 448,704</u>

**Sims Township**  
**Other Supplemental Information**  
**Schedule of Indebtedness**  
**March 31, 2006**

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Total
Water Fund	5.00%	2007	\$ 15,276	\$ 14,196	\$ 29,472
Contract payable	5.00%	2008	20,368	13,456	33,824
1999A water system	5.00%	2009	20,368	12,590	32,958
Amount of issue - \$ 414,998	5.00%	2010	20,368	11,704	32,072
	5.00%	2011	20,368	10,798	31,166
	5.00%	2012	20,368	9,871	30,239
	5.00%	2013	22,914	8,864	31,778
	5.00%	2014	25,460	7,714	33,174
	5.00%	2015	25,460	6,480	31,940
	5.00%	2016	25,460	5,219	30,679
	5.00%	2017	30,554	3,819	34,373
	5.00%	2018	30,552	2,291	32,843
	5.00%	2019	30,552	764	31,316
			<u>\$ 308,068</u>	<u>\$ 107,766</u>	<u>\$ 415,834</u>
Water Fund	5.00%	2007	\$ 120,000	\$ 89,013	\$ 209,013
Contract payable	5.10%	2008	120,000	82,952	202,952
1999B water system	5.20%	2009	120,000	76,772	196,772
Amount of issue - \$ 2,265,000	5.30%	2010	120,000	70,472	190,472
	5.40%	2011	120,000	64,052	184,052
	5.50%	2012	120,000	57,512	177,512
	5.60%	2013	120,000	50,853	170,853
	5.70%	2014	120,000	44,073	164,073
	5.75%	2015	120,000	37,202	157,202
	5.80%	2016	115,000	30,417	145,417
	5.85%	2017	115,000	23,719	138,719
	5.90%	2018	115,000	16,963	131,963
	5.90%	2019	115,000	10,178	125,178
	5.90%	2020	115,000	3,393	118,393
			<u>\$ 1,655,000</u>	<u>\$ 657,571</u>	<u>\$ 2,312,571</u>

**Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance  
with Government Auditing Standards**

To the Township Board  
Sims Township  
Au Gres, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sims Township as of and for the year ended March 31, 2006, which collectively comprise Sims Township's basic financial statements and have issued our report thereon dated June 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Sims Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sims Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Sims Township, management, federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

*Yeo & Yeo, P.C.*

June 27, 2006  
Saginaw, Michigan



3023 Davenport  
Saginaw, MI 48602  
Phone (989) 793-9830 / (800) 968-0010  
Fax (989) 793-0186

July 12, 2006

To the Township Board  
Sims Township  
Au Gres, Michigan

In planning and performing our audit of the financial statements of Sims Township for the year ended March 31, 2006, we considered the Township's internal control system to determine our auditing procedures for the purpose of expressing an opinion on the financial statements.

However, during our audit, we became aware of the following matters that provide opportunities to strengthen internal controls and operating efficiency. The following paragraphs summarize our comments on these issues. This letter does not affect our report dated June 27, 2006 on the financial statements of Sims Township.

**The following is a listing of the comments from the previous year. Their status for the current year follows.**

#### **WATER BILLING SYSTEM**

In reviewing the internal control for water billing, we found that staff have access and can make changes to customer accounts without any form of approval. This includes payments received, charges, and usage entry into the billing system. When one person enters the data, makes adjustments/modifications, and posts receipt information, this allows the person entire access and control over all functions of the system. This is a serious deficiency in the internal control system in the water department.

We strongly recommend someone be designated to receive monthly reports or listings of adjustments made to customer's accounts and review it paying close attention to the following items: recurring adjustments to the same accounts, adjustments to Township employee's accounts, other related party's accounts, and void transactions. After review, the report should be signed off showing approval and these reports should be maintained for outside verification.

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July 12, 2006

To the Township Board  
Sims Township  
Au Gres, Michigan

## **BUDGETS**

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are required to be adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. In the current year no budget was adopted for the Fire Fund. We recommend annual budgets be adopted for these funds to be in compliance with the Uniform Budgeting Act.

We appreciate the opportunity to serve Sims Township and would like to thank the management and staff for their cooperation during our engagement.

Very truly yours,

YEO & YEO, P.C.  
CPAs and Business Consultants

A handwritten signature in black ink, appearing to read "David R. Youngstrom", with a stylized flourish at the end.

David R. Youngstrom